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SUBJECT: Honduras: 2003 Trade Overview

1. SUMMARY: Post submits its annual trade overview for Honduras for the year 2003, based on the official economic statistics released by the GOH in the fall of 2004. This cable contains information on imports, exports and the trade deficit; information on macroeconomic, monetary and financial developments will follow septel. Unless cited otherwise, all figures are from the Central Bank of Honduras' annual report.

2. Honduras' trade deficit increased in 2003, both in real terms and as a share of GDP, as a 6 percent increase in the value of exports was offset by an 8 percent increase in the value of imports. Value added from the maquila sector grew by 15 percent and remains the largest source of Honduran export income, accounting for 26 percent of all export earnings. Among exports of goods, revenues from coffee were up slightly, while shrimp replaced bananas as Honduras' second most profitable export commodity. The import bill was swelled largely by increased purchases of machinery and rising fuel costs. END SUMMARY.

3. Honduras' trade deficit increased by 13.7 percent in 2003, from USD 1,187 million to USD 1,350 million. Exports by value (both goods and services) increased by 5.5 percent, while imports by value increased by 8.1 percent. As a share of GDP, the trade deficit increased only slightly, from 18.5 percent to 20.1 percent.

#### TRADE DEFICIT AS PERCENT OF GDP

Year	Total Exports	Total Imports	Trade Deficit	As Percent of GDP
1998	2,504.1	3,119.8	615.7	12.2
1999	2,310.9	3,288.7	977.8	18.0
2000	2,600.7	3,593.2	992.6	16.7
2001	2,510.7	3,742.2	1,231.6	19.4
2002	2,570.6	3,757.9	1,187.4	18.5
2003	2,711.1	4,060.9	1,349.9	20.1

Note: Trade figures in 2003 USD millions.

4. Earnings from goods exports (which does not include maquila sector exports) were practically unchanged in 2003, rising by only 0.8 percent, to USD 1,332.3 million. Roughly 45 percent of Honduran goods exports go to the United States, down slightly from 2002.

#### EXPORTS OF GOODS (FOB, IN USD MILLIONS)

	Total	To U.S.	To U.S. as Pct. of Total
1996	1,316.0	612.4	46.5
1997	1,445.7	666.2	46.1
1998	1,532.8	626.3	40.9
1999	1,164.4	457.4	39.3
2000	1,380.0	534.1	38.7
2001	1,324.5	571.4	43.1
2002	1,321.2	616.5	46.7
2003	1,332.3	595.3	44.7

#### EXPORTS OF GOODS BY DESTINATION

	1999	2000	2001	2002	2003
United States	39%	39%	43%	47%	45%
Central America	22%	19%	25%	22%	23%
Other Latin America	8%	10%	8%	7%	9%
Europe	23%	25%	20%	21%	22%
Rest of World	8%	7%	5%	3%	2%

Note: Figures do not include maquila exports (maquila value-added is counted as a service).

5. Coffee remains Honduras' most important export product, accounting for 13.8 percent of goods export earnings. While the volume of coffee exported fell by 10.5 percent in 2003, a rise in the world price compensated for this decrease, meaning that revenues were virtually unchanged (a small

increase of 0.5 percent, up to USD 183.3 million). Prices and revenues are still well below historical levels.

#### COFFEE EXPORTS

Year	Volume in 100 lb bags	Price USD	Revenue (USD million)
1998	3,039	141.44	429.8
1999	2,591	98.84	256.1
2000	3,787	89.63	339.4
2001	3,119	51.52	160.7
2002	3,536	51.61	182.5
2003	3,163	57.96	183.3

16. Shrimp replaced bananas as the country's second most important export product in 2003, with revenues growing by 17.3 percent to USD 158.8 million. The amount of sea-caught shrimp exported fell sharply in 2003, by 52 percent, as Honduras was decertified from being allowed to export shrimp to the United States for much of the 2003 season (due to its failure to adequately follow U.S. environmental regulations regarding sea turtles), and was only recertified in December. However, the 27 percent increase in revenues from farmed shrimp more than compensated for the loss in revenues from sea-caught shrimp. In years past, between 80 and 90 percent of Honduran shrimp exports have been farmed shrimp rather than sea-caught shrimp; in 2003, farmed shrimp accounted for 95 percent of the value of shrimp exports.

#### SHRIMP EXPORTS

Year	FARMED SHRIMP		CAUGHT SHRIMP	
	Volume in kgs	Revenue USD m	Volume in kgs	Revenue USD m
1998	10,037	135.9	1,549	21.0
1999	9,200	127.4	1,620	22.4
2000	8,250	122.7	2,222	33.0
2001	9,966	140.3	1,456	20.5
2002	12,046	119.5	1,600	15.9
2003	16,522	151.2	834	7.6

17. While the volume of bananas exported rose by 4 percent in 2003, a reduction in price led to a sharp fall in export earnings, from USD 172.4 million in 2002 to USD 132.7 million in 2003, a 23 percent drop. Apart from 1999 when Hurricane Mitch largely destroyed the year's banana crop, this marks the first year in recent memory that coffee and bananas have not been the two most important Honduran export goods.

#### BANANA EXPORTS

Year	Volume (40 lb. box)	Avg. Unit Price(USD)	Revenue (USD million)
1998	28,234	7.78	219.6
1999	6,750	5.64	38.1
2000	20,686	6.01	124.2
2001	25,487	8.01	204.2
2002	23,453	7.35	172.4
2003	24,389	5.44	132.7

18. Honduras' fastest growing export product, and fifth most important overall, is African palm oil, exports of which grew by 88 percent, though export earnings grew by only 77 percent, due to a small drop in price. Sugar exports and export revenues fell for the second straight year, to 53,603 metric tons and USD 11.3 million, respectively. Export revenues from pineapples, melons, soap and tobacco rose, while revenues from lobster and wood manufactures fell.

#### AFRICAN PALM EXPORTS

Year	Volume in kgs	Price per kg	Revenue (USD million)
1999	21,380	0.62	13.4
2000	27,000	0.60	16.2
2001	35,205	0.73	25.7
2002	57,212	0.53	30.3
2003	107,790	0.50	53.9

#### SUGAR EXPORTS

Year	Volume in kgs	Price per kg	Revenue (USD million)
1998	21,033	0.48	10.2
1999	10,509	0.50	5.3
2000	25,499	0.31	7.8
2001	160,083	0.19	30.4
2002	94,289	0.18	17.2
2003	53,603	0.21	11.3

19. The mining sector showed declining export volumes in

2003, resulting in export earnings from Honduras' top three mineral exports - gold, zinc, and silver - falling, even as world prices rose.

#### GOLD EXPORTS

Year	Volume in '000 Troy Oz.	Price per Troy Oz.	Revenue (USD Million)
1998	0	--	--
1999	0	--	--
2000	24	260.32	6.2
2001	244	261.68	63.8
2002	265	303.89	80.5
2003	187	356.00	66.6

#### ZINC EXPORTS

Year	Volume in pounds	Price per pound	Revenue (USD Million)
1998	85,659	0.42	36.3
1999	94,786	0.53	50.2
2000	97,396	0.56	54.5
2001	101,334	0.38	38.5
2002	93,557	0.31	29.0
2003	79,899	0.34	27.2

#### SILVER EXPORTS

Year	Volume in '000 Troy Oz.	Price per Troy Oz.	Revenue (USD Million)
1998	1,525	5.14	7.8
1999	1,085	4.94	5.4
2000	1,733	4.77	8.3
2001	1,846	4.26	7.9
2002	1,814	4.39	8.0
2003	897	4.82	4.3

10. In sharp contrast to the near-zero growth in exports of Honduran goods, value added from the maquila sector (counted by the GOH as a service export) increased by 15 percent in 2003, to over USD 700 million. The maquila sector, therefore, accounted for greater earnings than the combined exports of Honduras' top eight export commodities (coffee, shrimp, bananas, gold, palm oil, melons, soap, and lobster.)

#### MAQUILA SECTOR - VALUE ADDED

Year	USD millions	Percent Growth Over Previous Year
1999	538.5	18.4
2000	575.4	6.9
2001	560.8	-2.5
2002	612.8	9.3
2003	704.7	15.0

11. The value of Honduran goods imports rose by 9.9 percent in 2003, from USD 2.98 million to USD 3.26 million. Imports of machinery and other industrial equipment, the largest category of imports by value, rose by 16.3 percent to USD 559 million. Imports of fuels and lubricants, the second largest category, rose by 25.6 percent in value terms, to USD 519 million. The share of Honduran imports of U.S. origin was practically unchanged at 37.5 percent.

#### IMPORTS (CIF, in USD Millions)

Year	Total	From U.S.	From U.S. as Pct of Total
1996	1,840.0	857.6	46.6
1997	2,148.6	1,033.0	48.0
1998	2,534.8	1,177.3	46.4
1999	2,676.1	1,182.7	44.1
2000	2,854.6	1,220.2	42.7
2001	2,983.9	1,097.9	37.3
2002	2,981.1	1,104.6	37.1
2003	3,275.6	1,227.3	37.5

#### IMPORTS OF GOODS BY ORIGIN

	1999	2000	2001	2002	2003
United States	44%	43%	37%	37%	37%
Central America	20%	21%	20%	20%	20%
Other Latin America	21%	23%	26%	28%	24%
Europe	8%	6%	8%	6%	8%
Rest of World	7%	7%	8%	8%	10%

Note: Figures do not include imported inputs for the maquila sector.